

Message Text

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LIMDIS FOR POLAD

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QUOTE

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LIMDIS

E.O. 11652: GDS

TAGS: PFOR, MARR, GW, US

SUBJECT: OFFSET

1. DEPUTY ASSISTANT SECRETARY VINE CALLED IN FRG DCM HANSEN
FEBRUARY 3 TO PRESENT US COUNTERPROPOSAL TO FRG DRAFT JOINT
STATEMENT (DJS) GIVEN VINE IN BONN ON DECEMBER 16. TEXT
OF US RESPONSE, WHICH IS ALSO IN FORM OF A DJS, FOLLOWS:
BEGIN TEXT: THE U.S. AND THE FEDERAL REPUBLIC IN NATO:
COLLECTIVE WESTERN SECURITY CONTINUES TO BE BASED ON THE
ATLANTIC ALLIANCE. THE FRIENDLY COLLABORATION BETWEEN OUR
TWO COUNTRIES IN PURSUIT OF COLLECTIVE SECURITY HAS
PROVEN ITS VALUE IN OUR JOINT EFFORTS TO MAINTAIN NATO
DEFENSE READINESS. BOTH GOVERNMENTS PLAN TO CONTINUE THE
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MEASURES OF MUTUAL DEFENSE REQUIRED TO ASSURE EFFECTIVE

FORCE POSTURE.

THE U.S. BALANCE OF PAYMENTS: THE INTERNATIONAL MONETARY MECHANISM HAS UNDERGONE FUNDAMENTAL CHANGES IN RECENT YEARS. TRADITIONAL BALANCE OF PAYMENTS CONCERNS HAVE LOST MUST OF THEIR SIGNIFICANCE IN A WORLD OF MARKET-DETERMINED EXCHANGE RATES AND NON-CONVERTIBILITY OF GOLD. IN VIEW OF THE CURRENT INTERNATIONAL MONETARY SITUATION, THE UNITED STATES AND THE FEDERAL REPUBLIC AGREE THAT OFFSETTING OF BALANCE OF PAYMENTS OUTFLOWS ASSOCIATED WITH THE STATIONING

OF U.S. FORCES IN EUROPE NO LONGER HAS THE SAME RELEVANCE IN THEIR MUTUAL DEFENSE RELATIONSHIP.

THE TRANSITION PERIOD: THE MUTUAL DEFENSE SUPPORT MEASURES AGREED TO BY OUR TWO GOVERNMENTS INCLUDE STEPS TO FACILITATE THE STATIONING OF U.S. TROOPS IN THE FEDERAL REPUBLIC. THEY ARE DESIGNED TO INITIATE A TRANSITION AWAY FROM BALANCE OF PAYMENTS CRITERIA, AND TOWARD AN AGREEMENT AIMED AT IMPROVING NATO'S MILITARY POSTURE AND ACHIEVING GREATER COST EFFECTIVENESS.

MUTUAL DEFENSE SUPPORT MEASURES: (IN THIS SECTION WOULD BE SET OUT THOSE MUTUAL DEFENSE MEASURES THAT HAVE BEEN AGREED UPON BY OUR TWO GOVERNMENTS. BOTH THE FRG AND THE U.S. WOULD AGREE TO JOINTLY EXPLORE MEASURES BY WHICH THE FINANCIAL BURDEN OF STATIONING U.S. FORCES IN EUROPE COULD BE EASED. OTHER MEASURES MIGHT INCLUDE, FOR EXAMPLE, CONTINUATION OF THE PROGRAM OF REHABILITATION OF FACILITIES FOR U.S. FORCES IN THE FRG, ENVIRONMENTAL IMPROVEMENTS, AND FRG FINANCIAL SUPPORT FOR THE STATIONING OF U.S. COMBAT TROOPS IN THE NORTHAG AREA. THIS SECTION WOULD ALSO HIGHLIGHT THE CONCRETE STEPS THE FRG IS ALREADY TAKING OR PROPOSES TO TAKE AND FOR WHICH THE FRG SHOULD GET CONSTRUCTIVE POLITICAL CREDIT. IT MIGHT EMPHASIZE THAT THESE MEASURES, ALTHOUGH BILATERAL IN NATURE, ARE DESIGNED TO SUPPORT NATO-WIDE EFFORTS FOR A BETTER AND MORE COST-EFFECTIVE DEFENSE. THE SPECIFIC MEASURES TO BE INCLUDED IN THIS SECTION, THE SIZE OF THE COMMITMENT, AND THE DURATION WOULD OF COURSE

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NEED TO BE AGREED UPON BY OUR TWO GOVERNMENTS, AND WE PROPOSE TO BEGIN THESE DISCUSSIONS PROMPTLY.) END TEXT

2. IN HIS COMMENTS ON THE CONTENTS AND PURPOSES OF THE US DJS, VINE INDICATED THAT WE HAD STUDIED THE FRG STATEMENT CLOSELY, AND HAD CONCLUDED THAT PARTS OF IT WERE ACCEPTABLE TO US FOR INCLUSION IN ANY FINAL TEXT AGREED TO BY OUR GOVERNMENTS. HE WENT ON TO MAKE THE

FOLLOWING POINTS: (A) IT WAS APPARENT THAT WE BOTH HAD AN INTEREST IN STRENGTHENING AND IMPROVING THE EFFECTIVENESS OF NATO, FURTHERING OUR COOPERATION IN THE MILITARY FIELD TO THE END THAT IMPROVED R&S OF DEFENSE PROGRAMS--INCLUDING LOGISTIC STRUCTURES--BE FACILITATED, DIRECTING OUR BILATERAL RELATIONSHIP AWAY FROM THE TRADITIONAL TYPE OFFSET AGREEMENT, AND DOING THIS IN SUCH A WAY THAT DOMESTIC POLITICAL CONSIDERATIONS IN BOTH OUR COUNTRIES ARE TAKEN EFFECTIVELY INTO ACCOUNT; (B) THERE WAS CONSIDERABLE PRESSURE IN CONGRESS RELATING TO OFFSET, WHICH, ALTHOUGH PRESENTLY LATENT, COULD RESULT IN RENEWED EFFORTS TO REDUCE US TROOP STRENGTH IN EUROPE IF NOT

HANDLED PROPERLY. THE FRG DJS HAD IGNORED THIS IMPORTANT FACTOR; (C) CONGRESS HAD BEEN PLEASED WITH FRG CONTRIBUTIONS IN THE TROOP FACILITY REHABILITATION AREA, AND SUCH FRG EFFORTS WERE REASONABLE FROM THE MILITARY, POLITICAL AND ECONOMIC STANDPOINTS. APPROPRIATE FRG ASSISTANCE TO THE PROPOSED US BRIGADE IN NORTHAG WOULD HELP PRESENT AN EVEN MORE POSITIVE IMAGE OF FRG SUPPORT EFFORTS TO THE CONGRESS. BUDGETARY SUPPORT MEASURES UNDERTAKEN BY THE FRG IN THE PAST AGREEMENT, SUCH AS THE PURCHASE OF US SECURITIES AT CONCESSIONAL INTEREST RATES, COULD ALSO BE CONSIDERED FOR INCLUSION IN ANY NEW SUCCESSOR ARRANGEMENT; (D) WE WERE VERY FLEXIBLE TOWARD THE FORMAT AND PROCEDURES OF A NEW ARRANGEMENT. DIRECT BILATERAL FUNCTIONAL CHANNELS MIGHT BE USED IN WORKING OUT DETAILS, SUCH AS DIRECT TALKS BETWEEN OUR DEFENSE MINISTRIES ON THE NORTHAG ISSUE; (E) A SECOND ROUND OF DISCUSSIONS COULD ALSO DEAL WITH SUCH QUESTIONS AS HOW TO QUANTIFY COSTS OVER A LONGER TIME PERIOD SHOULD A SUCCESSOR ARRANGEMENT EXTEND BEYOND THE TRADITIONAL TWO-YEAR LIMIT, HOW BEST TO PRESENT CONFIDENTIAL

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A NEW ARRANGEMENT TO OUR RESPECTIVE PUBLICS AND LEGISLATIVE BODIES SO THAT THE FRG IS GIVEN DUE CREDIT FOR ITS CONTRIBUTIONS TO THE NATO DEFENSE POSTURE, AND WHAT PROCEDURES SHOULD BE FOLLOWED IN ORDER TO EDUCATE THE PUBLIC TO THE CHANGED INTERNATIONAL MONETARY SITUATION.

3. VINE DESCRIBED THE US COUNTERPROPOSAL AS ILLUSTRATIVE IN NATURE, AND DESIGNED TO SERVE AS A BASIS FOR A SECOND ROUND OF DISCUSSIONS WHICH WAS NEEDED IN ORDER FOR OUR TWO GOVERNMENTS TO WORK TOWARD A JOINT BASIC DRAFT AGREEMENT WHICH WOULD INDICATE OUR MUTUAL AWARENESS THAT TRADITIONAL OFFSET MUST BE MODIFIED IN VIEW OF CURRENT INTERNATIONAL MONETARY CIRCUMSTANCES. A FINAL AGREEMENT WOULD ALSO GIVE FULL CREDIT TO ALL EFFORTS BEING MADE AND TO BE MADE BY THE FRG IN OUR MUTUAL NATO POLICIES TO

FURTHER THE ALREADY EXCELLENT COOPERATION BETWEEN US.

4. MINISTER HANSEN, AFTER RECEIVING CLARIFICATIONS ON SEVERAL POINTS, INDICATED HE WOULD TRANSMIT THE TEXT OF THE US COUNTERPROPOSAL TO BONN IMMEDIATELY. VINE, HANSEN AND TREASURY REPRESENTATIVE NENSEL, WHO WAS ALSO PRESENT AT THE MEETING, AGREED THAT AN FRG RESPONSE WOULD BE EXPECTED, AND WITHIN A REASONABLE TIME. VINE ALSO STRESSED THE NEED FOR AN APPROPRIATE MUTUALLY AGREED PRESS GUIDANCE. KISSINGER

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